

Chapter 3. Retail Gap Analysis

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Chapter 3

Retail Gap Analysis

Introduction

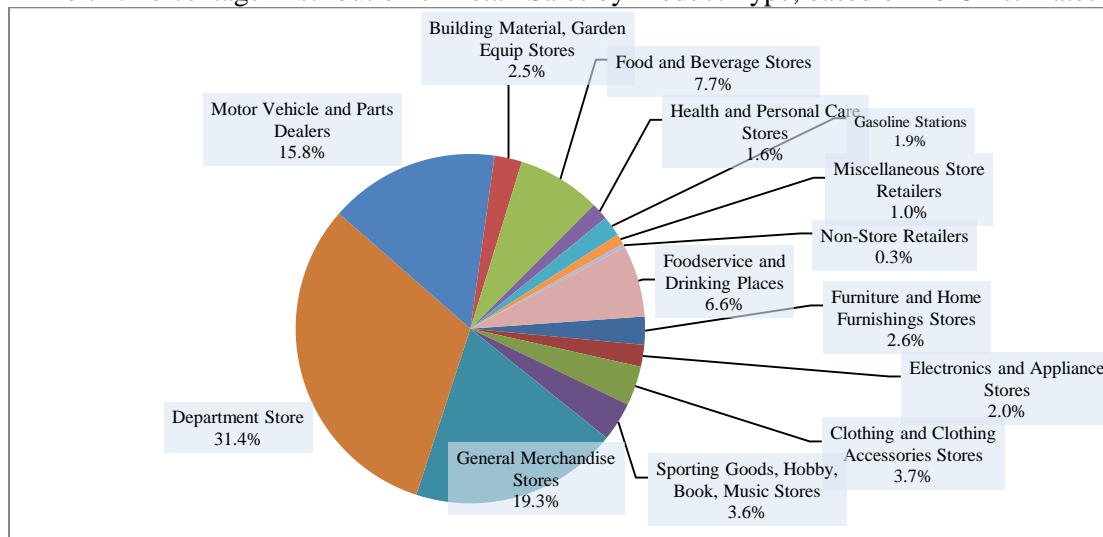
Retail gaps exist when a community is essentially forced to spend a disproportionate share of its income outside of the community due to a lack of retail opportunities. While the existence of such gaps cannot be viewed as representing good news, their presence means that there are identifiable market opportunities to supply additional retail opportunities in the area.

In this portion of the report, the study team measures the Corridor's retail gap status. Some of this analysis relies upon the Opportunity Gap Report provided by the Nielsen Company. Nielsen's demand (expenditure) data are derived from the Consumer Expenditure Survey (CE Survey) conducted by the U.S. Bureau of Labor Statistics (BLS). Supply data are derived from the Census of Retail Trade (CRT) made available by the U.S. Census.

I. The Retail Gap within the Corridor Study Area

Exhibit 1 summarizes the distribution of the retail sales in the Corridor by store type based on 2013 estimates provided by Nielsen. Almost precisely half (50.7%) of the community's retail sales are attributable to the department stores/general merchandise stores category. Other key categories include auto dealers (15.8%), grocery and related stores (7.7%) and restaurants and bars (6.6%).¹

Exhibit 1: Percentage Distribution of Retail Sales by Product Type, based on 2013 Estimates



Source: Nielsen, *SiteReports*

¹ The official labels attached to these sectors are somewhat different than the more common vocabulary in the text.

A negative value for the retail gap indicates a general over-supply of retail products sold in the community. A positive value represents a surplus of demand, indicating a development opportunity for that category of retail establishments. As the data reveal, the retail gap for the Corridor area is a negative \$254.5 million, meaning that retail is over-supplied in the Corridor.

This should come as no surprise. The households in the Corridor have limited spending power on average and the area is home to a fairly substantial regional mall. In other words, much of the retail capacity in the Corridor caters to people who do not live in the Corridor. This is also true for auto dealers, electronics stores, building material centers, grocery stores and gas stations.

Exhibit 2: Summary of Retail Gap by Store Types, 2013 Estimates

Retail Category	Demand₁ (Expenditure)	Supply (Sales)	Retail Gap₂	Retail Gap as a % of Total Sales
Total Retail Sales₁	\$64,098,475	\$318,685,232	-254,586,757	80%
Motor Vehicle and Parts Dealers (441) ₃	7,553,947	50,266,351	-42,712,404	85%
Furniture and Home Furnishings Stores (442)	1,120,037	8,278,378	-7,158,341	86%
Electronics and Appliance Stores (443)	1,066,500	6,416,697	-5,350,197	83%
Building Material, Garden Equip Stores (444)	4,534,098	8,107,139	-3,573,041	44%
Food and Beverage Stores (445)	6,678,828	24,617,505	-17,938,677	73%
Health and Personal Care Stores (446)	3,462,376	5,061,699	-1,599,323	32%
Gasoline Stations (447)	5,104,933	6,021,307	-916,374	15%
Clothing and Clothing Accessories Stores (448)	2,487,542	11,648,714	-9,161,172	79%
Sporting Goods, Hobby, Book, Music Stores (451)	1,081,893	11,465,983	-10,384,090	91%
General Merchandise Stores (452)	6,888,001	61,364,841	-54,476,840	89%
Miscellaneous Store Retailers (453)	1,267,774	3,048,268	-1,780,494	58%
Non -Store Retailers (454)	4,212,624	1,090,795	3,121,829	(286%)
Foodservice and Drinking Places (722)	5,546,747	21,107,420	-15,560,673	74%
GAFO ₅ , Department Store Sales	13,093,175	100,190,135	-87,096,960	87%
Total Retail Sales excl. General Merchandise Stores and Department Store sales	44,117,299	157,130,256	-113,012,957	72%

Source: Nielsen, *SiteReports*; NOTE: 1. The data reflect a total of 1,381 households with median household income of \$49,333. These differ from the data presented in Chapter 1, which are based on Census Block. The area covered by the Nielsen data is bit smaller. 2. The difference between demand and supply represents the opportunity gap or surplus available for each retail outlet in the specified geography; 3. Numbers in parenthesis indicate the associated industry NAICS code; (Source: Nielsen); 5. GAFO (General merchandise, Apparel, Furniture and Other) represents sales from merchandise normally sold in department stores.

II. Where is the Market?

Exhibit 3 shows that as the geographic area of inquiry increases, the retail gap disappears. This is because the larger area encompasses far greater spending power, including on a per household basis. This suggests that Corridor retailers are largely supported by people who do not live in the Corridor. For more information regarding the geographic definitions for the three-mile and five-mile radii, please refer to the Appendix II.

Exhibit 3: Estimated Demand (Expenditure) and Retail Gap by Store Type, Corridor v. Surrounding Neighborhoods based on the 2013 Estimates (\$000)

Retail Category/Areas	CORRIDOR		Three-mile Radius from the Corridor		Five-mile Radius from the Corridor	
	Supply (Sales)	Retail Gap	Demand (Expenditure)	Retail Gap	Demand (Expenditure)	Retail Gap
Total Retail Sales₁	318,685	-254,587	3,098,893	-750,843	6,472,132	308,723
Motor Vehicle and Parts Dealers	50,266	-42,712	425,412	-728,703	906,138	-683,778
Furniture and Home Furnishings	8,278	-7,158	55,621	12,893	118,210	24,609
Electronics and Appliance	6,417	-5,350	51,075	-32,053	106,479	-36,461
Building Material, Garden Equip	8,107	-3,573	243,429	-99,582	519,663	-165,545
Food and Beverage	24,618	-17,939	292,243	-99,670	599,271	-175,086
Health and Personal Care	5,062	-1,599	136,633	-26,266	276,337	42,698
Gasoline Stations	6,021	-916	236,739	137,444	487,956	289,569
Clothing and Clothing Accessories	11,649	-9,161	130,287	2,365	275,217	118,152
Sporting Goods, Hobby, Book, Music	11,466	-10,384	52,290	-16,482	109,643	19,131
General Merchandise	61,365	-54,477	318,744	-636	660,898	252,511
Miscellaneous Retailers	3,048	-1,780	63,373	21,112	133,057	61,119
Non-Store Retailers	1,091	3,122	194,202	94,474	403,784	100,490
Foodservice and Drinking Places	21,107	-15,561	268,082	12,155	556,991	60,973
GAFO, Department Stores	100,190	-87,097	630,763	-27,894	1,318,488	400,339

Source: Nielsen, *SiteReports*

III. Complete Retail Report

Exhibit 4: More Fully Detailed Report Regarding Corridor Retail Demand (Expenditure) and Supply (Sales)

Retail Stores	2013 Demand (Consumer Expenditures)	2013 Supply (Retail Sales)	Retail Gap
Total Retail Sales Including Eating and Drinking Places	64,098,477	318,685,233	-254,586,756
Motor Vehicle and Parts Dealers-441	7,553,947	50,266,351	-42,712,404
Automotive Dealers-4411	6,463,563	47,019,474	-40,555,911
Other Motor Vehicle Dealers-4412	364,424	65,564	298,860
Automotive Parts/Accsrs, Tire Stores-4413	725,961	3,181,313	-2,455,352
Furniture and Home Furnishings Stores-442	1,120,037	8,278,378	-7,158,341
Furniture Stores-4421	598,178	3,656,912	-3,058,734
Home Furnishing Stores-4422	521,859	4,621,467	-4,099,608
Electronics and Appliance Stores-443	1,066,500	6,416,697	-5,350,197
Appliances, TVs, Electronics Stores-44311	794,957	6,112,605	-5,317,648
Household Appliances Stores-443111	121,426	2,510,740	-2,389,314
Radio, Television, Electronics Stores-443112	673,531	3,601,864	-2,928,333
Computer and Software Stores-44312	243,817	304,092	-60,275
Camera and Photographic Equipment Stores-44313	27,726	0	27,726
Building Material, Garden Equip Stores -444	4,534,098	8,107,139	-3,573,041
Building Material and Supply Dealers-4441	4,105,795	8,107,139	-4,001,344
Home Centers-44411	1,726,784	0	1,726,784
Paint and Wallpaper Stores-44412	64,846	2,765,811	-2,700,965
Hardware Stores-44413	434,213	6,523	427,690
Other Building Materials Dealers-44419	1,879,952	5,334,806	-3,454,854
Building Materials, Lumberyards-444191	776,006	2,085,907	-1,309,901
Lawn, Garden Equipment, Supplies Stores-4442	428,302	0	428,302
Outdoor Power Equipment Stores-44421	41,826	0	41,826
Nursery and Garden Centers-44422	386,476	0	386,476
Food and Beverage Stores-445	6,678,828	24,617,505	-17,938,677
Grocery Stores-4451	5,750,065	21,185,497	-15,435,432
Supermarkets, Grocery (Ex Conv) Stores-44511	5,478,918	19,429,308	-13,950,390
Convenience Stores-44512	271,147	1,756,189	-1,485,042
Specialty Food Stores-4452	473,761	1,220,191	-746,430
Beer, Wine and Liquor Stores-4453	455,001	2,211,817	-1,756,816
Health and Personal Care Stores-446	3,462,376	5,061,699	-1,599,323
Pharmacies and Drug Stores-44611	2,753,900	2,255,529	498,371
Cosmetics, Beauty Supplies, Perfume Stores-44612	248,117	414,378	-166,261
Optical Goods Stores-44613	149,538	1,107,754	-958,216
Other Health and Personal Care Stores-44619	310,819	1,284,038	-973,219
Gasoline Stations-447	5,104,933	6,021,307	-916,374
Gasoline Stations With Conv Stores-44711	3,698,039	0	3,698,039
Other Gasoline Stations-44719	1,406,895	6,021,307	-4,614,412
Clothing and Clothing Accessories Stores-448	2,487,542	11,648,714	-9,161,172
Clothing Stores-4481	1,860,078	8,593,737	-6,733,659
Men's Clothing Stores-44811	105,687	70,692	34,995
Women's Clothing Stores-44812	408,824	255,285	153,539
Children, Infants Clothing Stores-44813	120,495	11,913	108,582
Family Clothing Stores-44814	979,879	7,832,575	-6,852,696
Clothing Accessories Stores-44815	77,219	12,338	64,881

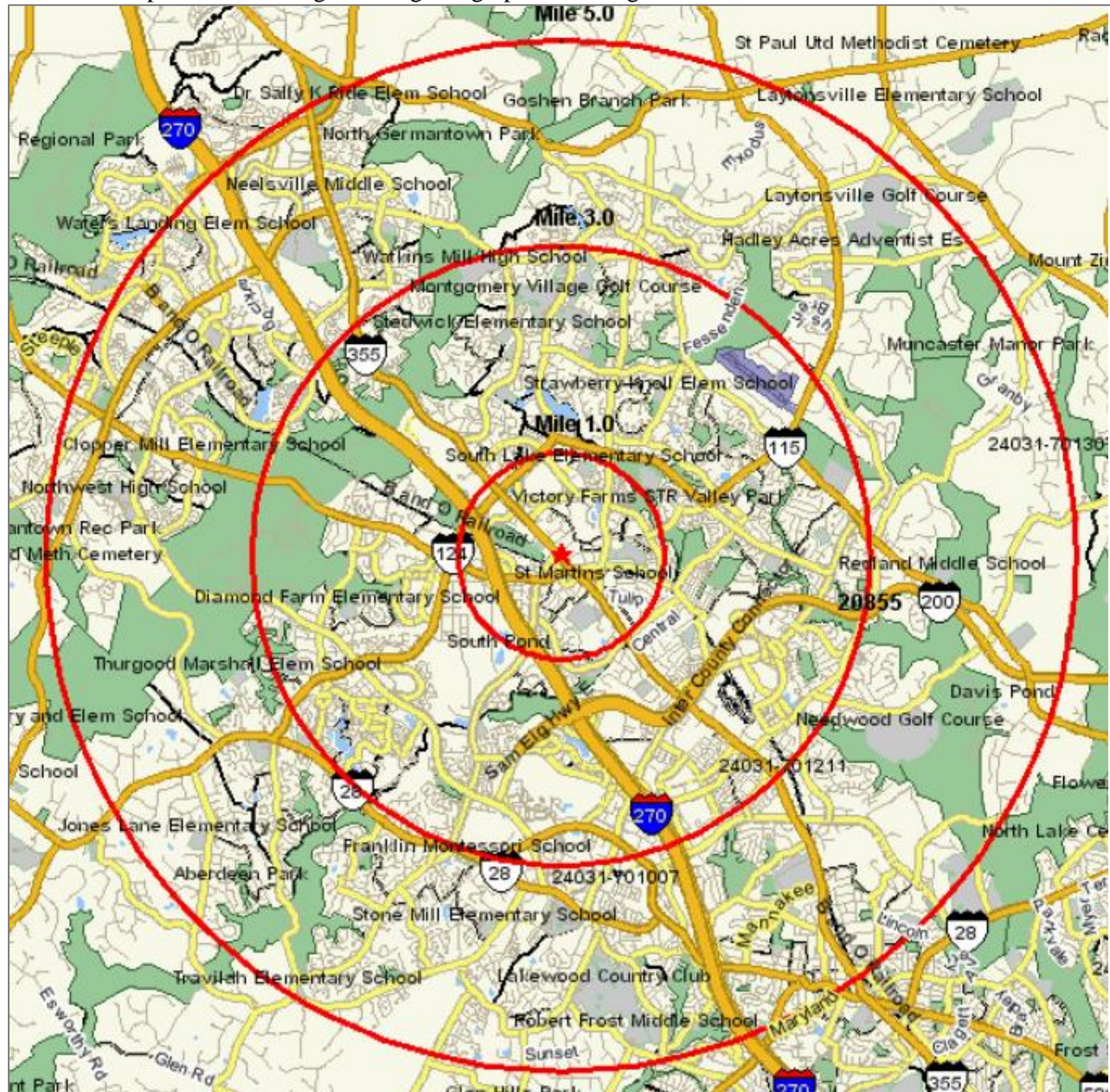
Other Clothing Stores-44819	167,972	410,935	-242,963
Shoe Stores-4482	304,148	1,080,416	-776,268
Jewelry, Luggage, Leather Goods Stores-4483	323,316	1,974,562	-1,651,246
Jewelry Stores-44831	301,226	1,928,106	-1,626,880
Luggage and Leather Goods Stores-44832	22,090	46,456	-24,366
Sporting Goods, Hobby, Book, Music Stores-451	1,081,893	11,465,983	-10,384,090
Sporting Goods, Hobby, Musical Instrument Stores-4511	838,250	10,697,817	-9,859,567
Sporting Goods Stores-45111	407,473	277,525	129,948
Hobby, Toys and Games Stores-45112	250,536	8,252,563	-8,002,027
Sew/Needlework/Piece Goods Stores-45113	84,408	1,594,854	-1,510,446
Musical Instrument and Supplies Stores-45114	95,833	572,875	-477,042
Book, Periodical and Music Stores-4512	243,643	768,166	-524,523
Book Stores and News Dealers-45121	191,687	731,531	-539,844
Book Stores-451211	175,899	731,531	-555,632
News Dealers and Newsstands-451212	15,788	0	15,788
Prerecorded Tapes, CDs, Record Stores-45122	51,956	36,635	15,321
General Merchandise Stores-452	6,888,001	61,364,841	-54,476,840
Department Stores Excl Leased Depts-4521	2,833,134	21,166,455	-18,333,321
Other General Merchandise Stores-4529	4,054,866	40,198,386	-36,143,520
Miscellaneous Store Retailers-453	1,267,774	3,048,268	-1,780,494
Florists-4531	59,257	191,296	-132,039
Office Supplies, Stationery, Gift Stores-4532	449,201	1,015,520	-566,319
Office Supplies and Stationery Stores-45321	248,312	271,098	-22,786
Gift, Novelty and Souvenir Stores-45322	200,889	744,422	-543,533
Used Merchandise Stores-4533	136,398	1,133,518	-997,120
Other Miscellaneous Store Retailers-4539	622,918	707,933	-85,015
Non-Store Retailers-454	4,212,624	1,090,795	3,121,829
Foodservice and Drinking Places-722	5,546,747	21,107,420	-15,560,673
Full-Service Restaurants-7221	2,587,938	14,296,623	-11,708,685
Limited-Service Eating Places-7222	2,255,342	5,923,224	-3,667,882
Special Foodservices-7223	437,422	864,306	-426,884
Drinking Places -Alcoholic Beverages-7224	266,046	23,266	242,780
GAFO*, Department Store Sales	13,093,175	100,190,135	-87,096,960
Total Retail Sales excl. General Merchandise Stores and Department Store sales	44,117,299	157,130,256	-113,012,957

Source: Nielsen, *SiteReports*; NOTE: Numbers following “-” indicate associated North American Industry Classification (NAICS) code; *GAFO (General merchandise, Apparel, Furniture and Other) represents sales from merchandise normally sold in department stores.

IV. Geographic Definition

The following map details what is meant by three-mile and five-mile radii defined areas.

Exhibit 5: Map of Gaithersburg Showing Geographic Coverage of 3-mil and 5-mile Radii

Source: Nielsen, *SiteReports*

Summary of Retail Gap Analysis

In various sections of this report, the study team has indicated the Corridor needs to attract higher quality retail. Based on the analysis above, this suggestion may seem inconsistent with fundamental economic realities. After all, why should the Corridor need to attract additional retail if it is already over-retailed?

The answer lies in the target market to be served. The retail gap analysis only measures the spending power of the immediate community. As indicated, there is a considerable amount of spending power around the community that can be served within the Corridor. In fact, according to Nielsen data, within a 5-mile radius of the Corridor, there is nearly \$6.5 billion in annual spending power. Moreover, the spending power of people who work in the area is not embodied in the exhibits above. This represents a population that is presently poorly served by the Corridor, including in terms of the selection of restaurants. This means that the retail gap analysis can be misleading in this instance. The data indicate a lack of opportunities in the Corridor when in fact there are many. However, much of the excess demand to be served presently is not associated with the existing Corridor residential base.

To a certain extent, this can be addressed by adopting one aspect of the study team's recommended strategy for the Corridor. We have suggested that there is a relative overabundance of multi-family rental units in Chapters 1 and 2. This supply of rental units, often small studios and one-bedroom units, is also associated with stagnant median household incomes in the Corridor. To better attract upscale retailers and restaurants to the Corridor, it needs more opportunities for households seeking ownership status. This would raise overall spending power in the Corridor, lift median household incomes, represent another reason for more upscale retailers to situate themselves in the Corridor, and ultimately create an environment characterized by the types of amenities private employers often seek.